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Attorneys for Defendant
THE RYNESS COMPANY

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF CALIFORNIA

HANLEY-WOOD, LLC, a Delaware limited liability company, Plaintiff, v. THE RYNESS COMPANY, a California corporation, Defendant.	Case No. 08 CV 0186 DMS WMc **DEFENDANT'S ANSWER TO COMPLAINT FOR BREACH OF CONTRACT** [Complaint Filed: January 30, 2008]

Defendant The Ryness Company (hereinafter referred to as "Ryness") responds to Plaintiff's Complaint for Breach of Contract as follows:

THE PARTIES

1. Ryness lacks knowledge or information sufficient to form a belief about the truth of these allegations, except Ryness admits that Plaintiff Hanley-Wood, LLC (“Hanley-Wood”) is doing business in San Diego, California.

2. Ryness admits that it is a California corporation doing business in San Diego, California but denies the remainder of these allegations.

JURISDICTION AND VENUE

3. Ryness lacks knowledge or information sufficient to form a belief about the truth of these allegations due to Ryness' lack of knowledge or sufficient information concerning the allegations in paragraph 1 of the complaint.

4. Ryness admits these allegations to the extent that "resides in this district" means that Ryness is doing business in this district, but otherwise denies these allegations.

GENERAL ALLEGATIONS

5. Ryness admits that Hanley-Wood owns a proprietary database consisting of, among other things, data collected with respect to the residential homebuilders who are active in all markets in which Hanley-Wood collects information, and that various customers of Hanley-Wood use that information in such markets. Except as admitted, Ryness lacks knowledge or information sufficient to form a belief about the truth of the remaining allegations.

6. Ryness admits this allegation.

7. Ryness admits that Haley-Wood filed the 2005 Action against Ryness and Timothy Sullivan ("Sullivan"). Ryness admits that Sullivan left Hanley-Wood to join Ryness as an independent contractor. Ryness admits that the 2005 Action sought damages based on, among other things, allegations of misappropriation of trade secrets, but Ryness

denies that such allegations were true and correct. Except as specifically admitted herein, Ryness denies the remainder of these allegations.

8. Ryness admits these allegations.

9. Ryness admits that these allegations roughly track the language of Article 1.1 of the License Agreement, and that the License Agreement is the best evidence of its terms. Except as admitted, Ryness denies the remaining allegations.

10. Ryness admits that these allegations roughly track the language of Article 4.1 of the License Agreement, and that the License Agreement is the best evidence of its terms. Except as admitted, Ryness denies the remaining allegations.

11. Ryness admits that Article 6.1 of the License Agreement defines the Initial Term as five years from January 20, 2006, that the License Agreement provided for earlier termination of the agreement subject to the provisions of Articles 6.1 through 6.5 and other related provisions, and that the License Agreement is the best evidence of its terms. Except as admitted, Ryness denies the remaining allegations.

12. Ryness admits that it has not paid in full the amounts Hanley-Wood has asked it to pay, but denies the remaining allegations.

13. Ryness admits that it has not paid in full amounts called for in the License Agreement and that Ryness has had access to Hanley-Wood's database, but denies the remaining allegations.

14. Ryness admits that Hanley-Wood has made numerous demands for the payment that Hanley-Wood alleges is owing, and that both Hanley-Wood and Ryness,

in an effort to avoid litigation, have attempted to negotiate an acceptable arrangement for continued payment in exchange for continued access to the proprietary database. Except as admitted, Ryness denies the remaining allegations.

COUNT 1

(ALLEGED BREACH OF CONTRACT)

15. Ryness incorporates its paragraphs 1 through 14 above as though they were set forth here in full.

16. Ryness denies.

17. Ryness denies.

18. Ryness denies that Hanley-Wood has been damaged in any amount including, without limitation, the amounts alleged.

19. Ryness admits that Hanley-Wood accurately quoted a selected portion of Article 7.2 of the License Agreement.

20. Ryness denies, and specifically denies that the License Agreement provides for the recovery of attorneys' fees and costs in this context, irrespective of whether Ryness or Hanley-Wood is the prevailing party in this action.

FIRST AFFIRMATIVE DEFENSE

Estoppel

21. The doctrine of estoppel bars Plaintiff from recovering.

SECOND AFFIRMATIVE DEFENSE

Unclean Hands

22. The doctrine of unclean hands bars Plaintiff from recovering.

THIRD AFFIRMATIVE DEFENSE

Waiver

23. The doctrine of waiver bars Plaintiff from recovering.

FIRST AFFIRMATIVE DEFENSE

Lack Of Consent To Contract Due To Unilateral Mistake of Fact

24. Defendant's consent to the alleged contract was not freely given due to Defendant's mistake about certain facts. Plaintiff knew that Defendant was mistaken and used that mistake to take advantage of Defendant. Defendant's mistake was not caused by excessive carelessness. Defendant would not have agreed to enter in the alleged contract if it had known about the mistake.

SECOND AFFIRMATIVE DEFENSE

Lack Of Consent To Contract Due To Bilateral Mistake

25. Defendant's consent to the alleged contract was not freely given due to the fact that both parties were mistaken about certain facts. Defendant would not have agreed to enter into the alleged contract if it had known about the mistake.

SIXTH AFFIRMATIVE DEFENSE

Offset

26. Plaintiff's damages must be offset by the damage Plaintiff has wrongfully caused to Defendant.

SEVENTH AFFIRMATIVE DEFENSE

Failure to Mitigate

27. Plaintiff has failed to mitigate its damages.

EIGHTH AFFIRMATIVE DEFENSE

Excuse of Performance

28. Defendant has been excused from performing any obligation owed to Plaintiff.

RESERVATION OF RIGHT TO AMEND

29. Defendant reserves the right to amend its answer to incorporate additional affirmative defenses at a later time.

PRAYER FOR RELIEF

WHEREFORE, Ryness prays for judgment as follows:

1. That Hanley-Wood not be awarded any compensatory or other damages of any nature or amount whatsoever, including interest on any amount.

2. That Hanley-Wood be denied attorneys' fees and costs.

3. That Ryness obtains judgment in its favor and all other and further relief that the Court deems just and proper.

REQUEST FOR JURY TRIAL

Ryness requests a jury trial on all issues triable by a jury.

Dated: March 4, 2008

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